



UNITED STATES GENERAL ACCOUNTING OFFICE  
WASHINGTON, D.C. 20548

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PROCUREMENT, LOGISTICS,  
AND READINESS DIVISION

B-210027

RELEASED

MARCH 31, 1983

The Honorable Edward Zorinsky  
United States Senate

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Dear Senator Zorinsky:

Subject: An Evaluation of Air Force Procurement Procedures in Contracting for Advertising Services (GAO/PLRD-83-25)

On February 12, 1982, you asked us to review the Air Force's award of a \$4.5 million contract for advertising services to D'Arcy-MacManus and Masius, Inc., and assess whether Air Force procurement practices assured free and open competition in awarding this contract. We found no reason to dispute the award made to D'Arcy-MacManus and Masius, Inc. Although we could not identify any improprieties in the subject award, we identified several ways the Air Force could strengthen its overall contracting process to increase free and open competition in future selections of an advertising agency.

OBJECTIVE, SCOPE, AND METHODOLOGY

Our review was limited to examining the contract award to D'Arcy-MacManus and Masius, Inc. We did not examine advertising purchases by local recruiting groups or advertising materials purchases by Recruiting Service headquarters.

To assess the extent of competition in the contracting process, we examined documents in the contract files and discussed the contracting process with the contracting officer, other procurement officials, representatives of Recruiting Service headquarters, and members of the proposal evaluation panel. We used the Defense Acquisition Regulation and other applicable regulations and guidance to evaluate information we obtained. In addition, we contacted a number of firms which had been solicited during the contracting process but had not submitted a proposal to determine if any feature of the procurement process tended to discourage free and open competition. We performed the review in accordance with generally accepted government audit standards.

CONTRACT AWARD APPEARS APPROPRIATE

We noted no improper actions in the contracting process for this award and therefore had no reason to dispute the award.

The advertising contract solicitation described the factors that would be considered in evaluating the proposals and the procedures that would be used in selecting the winning contractor. The solicitation clearly stated that the

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award would be made to the contractor providing the advertising services in a manner most advantageous to the Government. It also pointed out that in selecting a contractor, the technical aspects would be substantially more important than fee.

Since an offeror's technical and professional capabilities were important, the contracting officer properly used a panel of technical personnel to evaluate the proposals. The panel members appeared to have had appropriate experience and seemed to have acted fairly and rationally in formulating their recommendations. The contracting officer, in turn, followed the award procedures described in the solicitation. After receiving the technical evaluation scores, the contracting officer added fee-related scores to arrive at an overall ranking. Without discussing proposals with any offeror, the contracting officer then awarded the contract to the offeror ranked highest overall—D'Arcy-MacManus and Masius, Inc. The contract award was based on initial proposals.

THE AIR FORCE CAN STRENGTHEN  
ITS CONTRACTING PROCESS FOR  
FUTURE PROCUREMENTS

Although we noted no improprieties in this contract award, we identified a number of improvements which the Air Force can make in its contracting process. The Air Force followed a source selection process in awarding this contract, but omitted several steps suggested in source selection regulations. We have not concluded that omission of these steps affected award of this contract, but believe providing the additional protections would better assure free and open competition in future advertising agency selections.

Source selection is used to choose a supplier when the Government's functional requirements are known but the best ways of filling those requirements are not known. The process is mandatory only on large procurements involving more than \$200 million in new production funds. Air Force Regulation 70-15, however, provides that source selection can be used in simplified form on smaller purchases when desirable. In a source selection, a panel of Government technical personnel evaluate the various firms' proposed methods of filling the Government's needs to determine which is most advantageous, considering the trade-offs between cost and quality.

Increased background information should  
be provided all prospective offerors

Providing an increased amount of background information to all potential offerors promotes competition since nonincumbents frequently need this information to prepare a proposal. A description of Air Force marketing philosophy, strategy, and other key topics would allow firms to quickly determine whether they are capable of meeting Air Force requirements and to begin developing their proposals to meet those requirements. An incumbent contractor could have an unfair advantage if relevant background information was not provided to all potential offerors.

A consulting firm with extensive advertising experience analyzed Department of Defense procedures for selecting advertising agencies and suggested that a "background briefing" for prospective agencies be included in the selection process. This briefing would provide potential vendors enough information about the services' recruiting program so that their proposals would address those issues considered important to the advertising and marketing effort. Among the topics to be covered in the briefing are the current market situation, marketing objectives, marketing strategy, current advertising and promotion programs, and key problems and opportunities.

Offerors submitting good initial proposals should be allowed the opportunity to improve them

In negotiated procurements, discussions are generally required to be conducted with offerors within a competitive range except in certain specified instances. Award may be made on an initial proposal basis without discussions where there is adequate competition or there is accurate prior cost experience. These conditions ensure that such an award will result in a fair and reasonable price, provided that the solicitation advises potential offerors of the possibility that the award might be made without discussions. We believe that the Air Force was justified in awarding the subject contract without discussions. However, allowing firms that submit a basically acceptable initial proposal to correct deficiencies identified by the technical panel helps broaden the range of competition. Firms whose proposals show good prospects of meeting the Government's needs should be included in the range. These firms are told what deficiencies were found in their proposals and are given an opportunity to correct the deficiencies before a final selection is made. This process serves to broaden the base of competition available to the Government.

This process could also help to offset any advantage the incumbent contractor might gain through access to background information. If a firm's proposal contained deficiencies that were due to a lack of adequate background information, the firm would have a chance to correct these deficiencies. This step would put other competitors on a more equal footing with the incumbent.

Early appointment of technical evaluation panel can be beneficial

The contracting officer should appoint the technical panel early enough so that panel members can review the solicitation before it is issued. Source selection regulations suggest that this step be taken so that panel members can be assured that the solicitation clearly describes the Government's requirements. Early appointment of the evaluation panel is also important to allow panelists adequate time to familiarize themselves with evaluation criteria, decide on the evaluation standards they will use, and discuss the relative importance of various parts of the proposals.

The contracting officer should question wide divergencies in scoring

The contracting officer is responsible, while acting as source selection authority, for assuring that the proposals are objectively evaluated. A wide scoring variance for particular items may indicate that the panel members did not understand the evaluation factors. On the other hand, there may be valid reasons not noted by other panel members for the scoring differences. The contracting officer should determine the reason for any large scoring variation and take appropriate steps to ensure that the proposals are objectively evaluated.

We suggested that in future procurements of this type the Air Force:

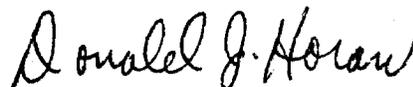
- Assure that the solicitation package and pre-solicitation conference provide firms the background information they need to develop a realistic proposal on an equal footing with incumbents.
- Recognize that conducting discussions with those offerors whose proposals fall within a competitive range can result in benefits which are associated with increased competition.
- Appoint the technical panel before the solicitation is issued and provide them with adequate time to develop clearly stated evaluation criteria and evaluation standards which should be included in the solicitation. These criteria and standards will be used to evaluate proposals.
- Require the panel to provide the selecting official with sufficiently detailed information regarding the strengths and weaknesses of various proposals to allow him/her to make an independent selection decision.

In commenting on our work, both Defense and Air Force officials concurred with our suggestions that additional source selection steps be incorporated in future competitions for advertising services. As discussed above, we believe that the procedures followed in awarding this contract were proper, given the size of the program and estimated value of the services to be provided. However, we believe that including these additional steps would provide better assurance of free and open competition in future procurements.

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As arranged with your Office, unless you publicly announce its contents earlier, we plan no further distribution of the report until 30 days from the date of the report. At that time, we will send copies to the Secretary of the Air Force and other interested parties.

Sincerely yours,



Donald J. Horan  
Director